



May 15, 2015

Mr. Kerry Breen, Assistant Finance Director  
City of Brentwood  
150 City Park Way  
Brentwood, CA 94513

Dear Mr. Breen:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 8, 2015. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Brentwood Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to Finance on February 25, 2015, for the period of July through December 2015. Finance issued a ROPS determination letter on April 8, 2015. Subsequently, the Agency requested a Meet and Confer session on one or more of the determinations made by Finance. The Meet and Confer session was held on April 22, 2015.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of the specific determinations being disputed.

- Item Nos. 13 and 14 – City Park and Community Center Projects totaling \$2,284,604. Finance continues to deny these items. During the Meet and Confer process, the Agency continued to object to Finance's determination; however, no additional information was provided. As previously stated, the public improvement agreements specific to each of these obligations between the former redevelopment agency (RDA) and the City of Brentwood (City) were entered into after the first two years of the former RDA's creation, and are not associated with the issuance of debt. In addition, there is no evidence to support the RDA's obligation to a third-party. HSC section 34171 (d) (2) states agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable unless issued within two years of the RDA's creation date, or for issuance of indebtedness to third-party investors or bondholders. Therefore, these items are not enforceable obligations and are not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item Nos. 30 through 32 – Litigation Costs totaling \$446,162. Finance continues to deny these items. Pursuant to HSC section 34171 (d) (1) (F), agreements concerning litigation expenses related to assets or obligations are enforceable obligations. The Agency provided agreements for special counsel services between the City and Burke, Williams, & Sorenson dated July 11, 2013, and August 7, 2014, to represent the City in

connection with matters associated with the dissolution of redevelopment agencies, including litigation services. The Agency also provided an agreement between the City and Greines, Martin, Stein, & Richland LLP, dated March 25, 2014, to perform services associated with appellate advocacy. Finance initially denied these items because these agreements are between the City and third parties for services performed by the parties for the City, not for the benefit of, or on behalf of, the Agency. Further, the agreements do not require reimbursement from the Agency.

During the Meet and Confer process, the Agency provided agreements between the Agency and Burke, Williams, and Sorensen dated July 18, 2012, and July 17, 2013, as well as invoices and accounting records for actual costs incurred by the City for the Burke, Williams, & Sorenson and the Greines, Martin, Stein, & Richland LLP agreements. The Agency did not provide any invoices billed to the Agency pursuant to the Agency agreements with Burke, Williams, and Sorensen, and the Agency does not have an agreement with Greines, Martin, Stein, & Richland LLP. Based on the invoices provided, all of the costs already incurred were billed to the City, not the Agency, and coded in the accounting records as a City expenditure, not an Agency expenditure, and paid for by the City.

Additionally, the Agency contended that the Agency is the entity most directly harmed by Finance's Due Diligence Review (DDR) determination, and therefore, the litigation must be for its benefit and on its behalf. However, the other taxing entities are equally, if not more, harmed by the City's current noncompliance with the DDR determination. Furthermore, the Agency is not the sole petitioner for the litigation; the City is also a petitioner. As such, the costs billed to the City related to the litigation under the City agreements are not an obligation of the Agency.

Furthermore, the Agency contended that the litigation services were advanced through the City agreements with the understanding that the Agency would repay the City, which was memorialized in a Loan Agreement between the City and the Agency approved by the Oversight Board on February 23, 2015. However, the Oversight Board action was denied by Finance pursuant to our letter dated April 7, 2015.

For the estimated costs in the ROPS 15-16A period, the Agency does not have an agreement with Greines, Martin, Stein, & Richland LLP for such services and the Agency's agreement with Burke, Williams, and Sorensen expires on June 30, 2015.

To the extent the Agency incurs legitimate litigation costs necessary for the administration or operation of the Agency in the future, they should be listed on future ROPS for review. Therefore, these items are not enforceable obligations and are not eligible for RPTTF funding.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 15-16A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2014 period. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. Proposed CAC adjustments were not received in time for inclusion in this letter; therefore, the amount of RPTTF approved in the table below only reflects the prior period adjustment self-reported by the Agency.

Except for the items denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 15-16A. The Agency's maximum approved RPTTF distribution for the reporting period is \$1,768,168 as summarized in the Approved RPTTF Distribution table below:

<b>Approved RPTTF Distribution</b>	
<b>For the period of July through December 2015</b>	
Total RPTTF requested for non-administrative obligations	2,289,556
Total RPTTF requested for administrative obligations	125,000
<b>Total RPTTF requested for obligations on ROPS</b>	<b>\$ 2,414,556</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>2,289,556</b>
<u>Denied Items</u>	
Item No. 13	(100,000)
Item No. 14	(100,000)
Item No. 30	(194,760)
Item No. 31	(195,627)
Item No. 32	(55,775)
	(646,162)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 1,643,394</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>125,000</b>
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 125,000</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 1,768,394</b>
ROPS 14-15A prior period adjustment	(226)
<b>Total RPTTF approved for distribution</b>	<b>\$ 1,768,168</b>

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. During the ROPS 15-16A review, Finance requested financial records to support the cash balances reported by the Agency. The Agency was able to support the amounts reported except for the unencumbered cash identified during the Agency's Due Diligence Review. Finance will continue to work with the Agency after the ROPS 15-16A review period to resolve any remaining issues as described above. If it is determined the Agency possesses additional cash balances that are available to pay approved obligations, the Agency should request the use of these cash balances prior to requesting RPTTF in ROPS 15-16B.

Please refer to the ROPS 15-16A schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS>

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2015. This determination only applies to items where funding was requested for the six-month period. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment that was available prior to the enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval. To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to HSC section 34171 (d), HSC section 34191.4 (c) (2) (B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-3274.

Sincerely,



JUSTYN HOWARD  
Program Budget Manager

cc: Ms. Michelle Hamblin, Business Services Manager, City of Brentwood  
Mr. Bob Campbell, Auditor-Controller, Contra Costa County  
California State Controller's Office